

Message Text

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ACTION EB-07

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5772

INFO ALL CONSULATES GENERAL IN CANADA BY POUCH

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E.O. 11652: N/A

TAGS: ELTN, CA

SUBJECT: UNITED STATES RAIL REORGANIZATION

1. PRESS REPORTS INDICATE UNITED STATES RAILWAY ASSOCIATION (A GOVERNMENTAL ENTITY) PUBLISHED ON FEBRUARY 27 PRELIMINARY PLAN TO RESTRUCTURE NORTHEAST RAIL SYSTEM FOR CONGRESSIONAL APPROVAL. AS DEPARTMENT AWARE A LARGE PERCENTAGE OF US-CANADIAN TRADE (ESPECIALLY CANADIAN EXPORTS OF BULK COMMODITIES) MOVES BY RAIL AND CONSEQUENTLY THAT MOVING TO/FROM US NORTHEAST POINTS LIKELY TO BE IMPACTED TO AT LEAST SOME EXTENT. FURTHERMORE, SOME RAIL LINES IN NORTHEASTERN UNITED STATES ARE OWNED BY CANADIAN CARRIERS.

2. WE ARE CONFIDENT THAT CANADIAN NATIONAL AND CANADIAN PACIFIC HAVE FOLLOWED US DISCUSSIONS OF REORGANIZATION CLOSELY AND HAVE PROBABLY SUBMITTED BRIEFS TO USRA AND OTHERS IDENTIFYING THEIR INTERESTS. WE ARE NOT SURE OF THE EXTENT TO WHICH SHIPPERS IN US-CANADIAN TRADEAN IN EITHER COUNTRY, HAVE DONE SO. SOME ATTENTION IS BEING PAID TO QUESTION IN MINISTRY OF TRANSPORT AND IN CANADIAN TRANSPORT COMMISSION. IT DOES NOT, HOWEVER, APPEAR TO BE PRESENTLY A MATTER OF HIGH LEVEL CONCERN. WE UNDERSTAND THOUGH THAT A RESEARCH MEMO WAS PREPARED SOME TIME AGO IN THE CTC SUGGESTING THAT ONE POTENTIAL ADVERSE EFFECT MIGHT BE TO ACCELERATE CARGO DIVERSION

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FROM CANADIAN TO US PORTS (E.G., MONTREAL AND TORONTO

CONTAINER CARGOES TO NEW YORK RATHER THAN HALIFAX) AS THE US RATE STRUCTURE UNDERPINNED BY GOVERNMENT SUBSIDIES WOULD BECOME MORE ATTRACTIVE THAN THE CANADIAN RATES (WHICH ALSO CONTAIN THEIR ELEMENTS OF SUBSIDY). TO OUR KNOWLEDGE THIS MEMO HAS NOT YET PRODUCED ANY SPECIFIC REACTIONS FROM TOP LEVELS.

3. EMBASSY BELIEVES IT WOULD BE USEFUL FOR USG OFFICIALLY TO COMMUNICATE USRA AND OTHER RELEVANT PLANS TO GOC AND INVITE ITS COMMENTS ON ANY ASPECTS THEREOF IN TIME FOR SUCH VIEWS TO BE TAKEN INTO CONSIDERATION BEFORE US SYSTEM IS DEFINITELY RESTRUCTURED. WE SHOULD ALSO OFFER TO MAKE AVAILABLE US OFFICIALS FOR AT LEAST INFORMAL DISCUSSIONS ON THE QUESTION EITHER IN WASHINGTON OR OTTAWA.

4. WE CANNOT SAY AT THIS POINT WHETHER RESTRUCTURING IS LIKELY TO BECOME AN ISSUE IN US-CANADIAN RELATIONS, BUT IT HAS AT LEAST SOME POTENTIALITY FOR SO DEVELOPING. A TIMELY OFFER BY THE USG TO AT LEAST CONSIDER ANY CANADIAN INTEREST IN THE QUESTION WOULD BE USEFUL IN RELATION TO THIS TOPIC AND WOULD RE-ENFORCE OUR GENERAL INTEREST IN ENCOURAGING THE GOC TO CONSULT WITH US BEFORE ANNOUNCING MAJOR POLICIES (THEY MAY CONSIDER DOMESTIC) WHICH WILL HAVE AN ADVERSE MPACT ON OUR INTERSTS.

5. EMBASSY WOULD APPRECIATE RECEIVING TWO COPIES USRA PROPOSALS PROMPTLY.
PORTER

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